

26 July 1963

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WEEKLY SUMMARY

OFFICE OF CURRENT INTELLIGENCE

Referral Review
by NGA

State Dept. review completed

CENTRAL INTELLIGENCE AGENCY

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GROUP I Excluded from automatic
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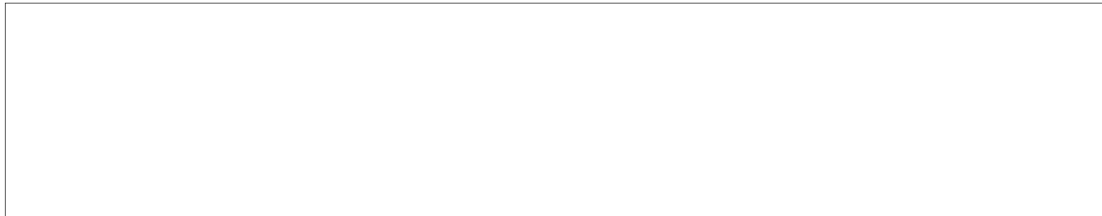
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(Information as of 1200 EDT, 25 July 1963)

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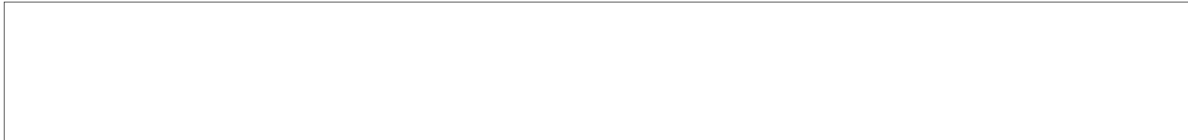
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CZECHOSLOVAK REGIME UNABLE TO SILENCE CRITICS

9

Party leader Novotny seems to have met with little success in his effort to put a stop to criticism by party intellectuals.

ASIA-AFRICA



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NASIR'S RELATIONS WITH SYRIA DETERIORATE FURTHER

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He has publicly denounced Syria's Baathist leadership in the wake of the abortive coup attempt on 18 July.



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ROBERTO'S GROUP GAINS AMONG ANGOLAN REBELS

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His government-in-exile has been recognized by Leopoldville, and the nine-nation African Liberation Committee is recommending that all aid be channeled to it.

ROUNDUP OF SUBVERSIVES IN SOUTH AFRICA

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The police appear to have broken up the last large subversive organization in the country, but remnants may turn toward anti-white violence.

AREA NOTES

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EUROPE

WEST EUROPEAN REACTION TO THE MOSCOW TALKS

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France is alone among West European nations to oppose a limited nuclear test ban, but most countries have reservations about extending the negotiations to include nonaggression arrangements.

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SECRETEUROPE (continued)Page

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COMMON MARKET AND TURKEY REACH AGREEMENT

17

Under the accord about 37 percent of Turkey's exports to the Community will receive preferred entry and the EEC will give Turkey developmental assistance.

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LISBON CONCERNED OVER PORTUGUESE GUINEA

18

Portugal is in the process of reinforcing its military force in the colony by as many as 4,000 troops.

WESTERN HEMISPHERE**THE SITUATION IN GUATEMALA**

19

There are indications that the initial popular approval accorded the Peralta regime is giving way to increasing discontent.

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BOLIVIAN MINERS' STRIKE

20

An early showdown seems likely in the government's dispute with Communist-led tin miners. Widespread violence could result.

ECUADOREAN DEVELOPMENTS

21

The new junta has announced that it plans a program of economic development and reform. It hopes to hold general elections in 1964.

AREA NOTES

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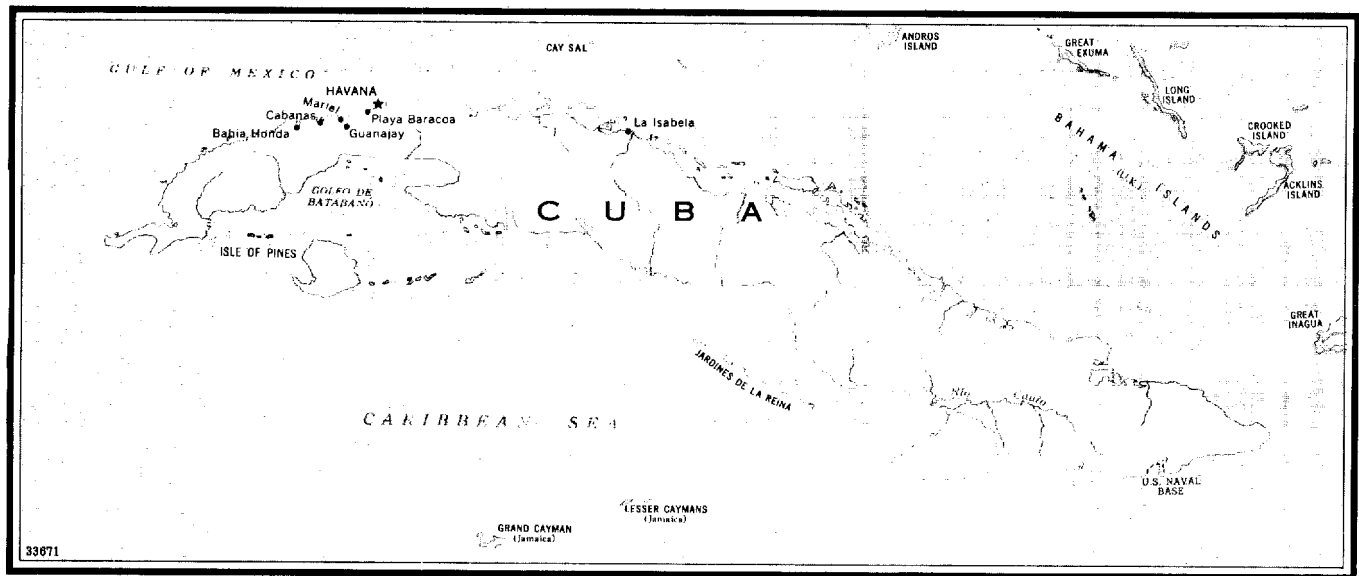
Dominican Republic, Haiti, Argentina, Peru

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Cuba

MILITARY DEVELOPMENTS IN CUBA

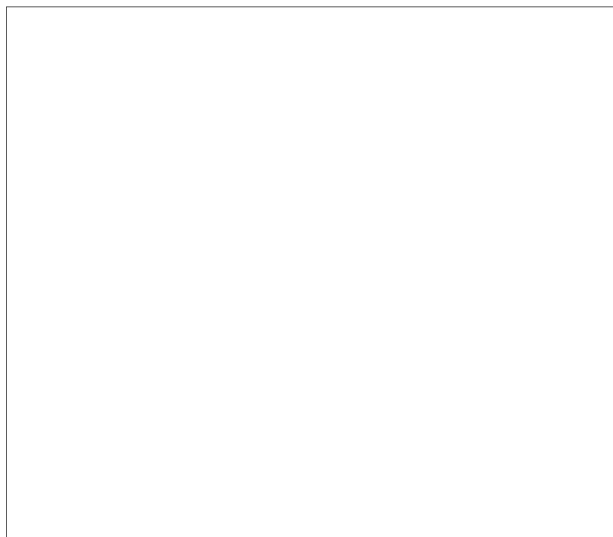
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[redacted] decreasing Soviet helicopter activity [redacted]

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[redacted] from Playa Baracoa, the principal helicopter base in Cuba.



The fifth military shipment to Cuba since October 1962 arrived on board the Metallurg Bardin, which docked at Bahia Honda on 16 UNCOR [redacted]

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[redacted] over eighty

vehicles of various sizes engaged in the unloading. Part of the cargo may be stored at the former Guanajay MRBM site No. 1, about 40 miles from Bahia Honda. Several trucks unloaded unidentified material at Guanajay [redacted]

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There are several installations in the Guanajay area, probably including an underground storage area. There is no evidence to indicate that either the unidentified material or the activities in the Guanajay area are missile-related.

[redacted] seeing three SS-1, 150-n.m. surface-to-surface missiles (SCUDs) on a truck in the port of Cardenas. There is no good evidence to indicate that such missiles are in Cuba, however, and his description also fits the FROG rocket which has been identified at Soviet installations in Cuba. [redacted]

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The Communist World

THE MOSCOW TEST-BAN TALKS

Khrushchev used the occasion of his 19 July speech at a rally for Hungarian leader Kadar to state publicly his views on the test-ban talks. The tone of the speech suggested that he expected the tripartite talks to reach an early agreement on a limited nuclear test ban. The Soviet premier seemed to treat an agreement virtually as an accomplished fact by expressing the hope that it will be "useful" in improving the international atmosphere. He also claimed that it would demonstrate the validity of his policy of peaceful coexistence.

Khrushchev did not indicate that an agreement banning tests in the atmosphere, outer space, and under water would be conditional on a moratorium on underground tests or on a NATO - Warsaw Pact nonaggression treaty. He simply stated that "we would like to hope" that the Moscow talks will produce agreement on a nonaggression pact and hinted at considerable flexibility on the precise formula for such an agreement. Soviet commentators have echoed his

remark that the main thing about a nonaggression pact "is not the form but the content."

Khrushchev's speech reflected his apparent intention to use the current talks as a point of departure for further negotiations on a nonaggression pact and other proposals bearing on European security. He renewed previous Soviet proposals for reductions in military budgets and measures to prevent surprise attack. The only variant he suggested would provide for stationing Western representatives with Soviet forces in East Germany and Soviet representatives with Western forces in the Federal Republic.

Soviet commentators are still careful to temper their optimistic assessments of the prospects for a successful conclusion of the talks with routine warnings that "influential circles" in Washington, Bonn, and Paris are working against an accord.

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SECRET**The Communist World****END OF SINO-SOVIET TALKS SIGNALS CONTINUED CONFLICT**

After two weeks of futile and probably acrimonious meetings in Moscow, the Chinese Communists have returned home clearly determined to carry on with the war. The Russians, no less determined, have acted quickly to tighten their lines in preparation for continued conflict.

The talks ended on 20 July, and the curt joint communiqué issued simultaneously in Moscow and Peiping the next day indicated only that neither side is yet ready to accept responsibility for a formal split in the Communist movement. The only agreement recorded was to recess the talks until an unspecified future date.

To this end, both sides sought to maintain the appearance of unity despite their failure to achieve it. In a minimum courtesy gesture, the Soviet party presidium gave a farewell dinner for the Chinese delegation at which Khrushchev made his only publicized contact with the visitors. Official Communist accounts of the affair declared--in what is probably the overstatement of the year--that a "friendly atmosphere" prevailed.

The feeling of the Peiping regime was indicated by the

heroes' reception accorded the returning delegation on 21 July. Mao Tse-tung headed the top-level group of government and party leaders which turned out at the airport. The welcoming crowd carried banners and shouted slogans affirming Peiping's position in the quarrel with Moscow.

Even before the Chinese had left town the Russians were moving ahead with efforts to consolidate bloc support against the Chinese. Following Moscow's lead, the Czechs on 19 July expelled an official of Peiping's news agency and declared two others--currently on leave in China--*personae non gratae* for distributing literature attacking the USSR.

Beginning on 20 July the East European satellites started to issue commentaries, apparently based on specific guidance from Moscow, castigating the Chinese for advocating nuclear war and for moving the dispute out of the party arena and into the sphere of state relations. As of 25 July only Rumania remained to be heard from.

Party first secretaries and government leaders of the

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CHRONOLOGY OF SINO-SOVIET TALKS

(MOSCOW TIME)

5 July	1430 1630 — 1830	Chinese arrive Vnukovo Airport Preliminary meeting Evening dinner given by Suslov
6 July	1000	Day's discussions opened Length of sessions undetermined
7 July		Both sides take Sunday off Chinese hold rally in Peiping honoring expelled personnel
8 July	1000	Day's discussions opened Length of sessions undetermined Soviet central committee attacks Chinese
9 July		Day-long recess taken Chinese party issues reply to CPSU statement
10 July	1000 — 1300 1500 — 1700	Talks resume Substantive issues rumored to have been discussed for the first time Concurrent meeting between lower level assistants
11 July		Day-long recess taken
12 July	1000	Day's discussions opened Length of session undetermined
13 July	1500 — 1800	Morning recess Talks resume People's Daily editorial provides first comment on talks and attacks Soviets.
14 July		Both sides take Sunday off CPSU open letter in Pravda attacks Chinese
15 July	1000 — 1330	Talks resume East-West test ban talks open in Moscow
16 July		Day-long recess taken
17 July	1000	Day's discussions opened Length of session undetermined
18 July		Day-long recess taken
19 July	1000	Day's discussions opened Afternoon recess People's Daily editorial criticizes Moscow test ban talks Khrushchev reaffirms policy of peaceful coexistence at Moscow rally for Kadar
20 July	1000	Talks resume Length of final session undetermined Khrushchev attends farewell banquet for Chinese
	2200	Chinese depart Vnukovo Airport
21 July		Peiping and Moscow publish joint communique on conclusion of talks

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SECRET**The Communist World**

CEMA states gathered in Moscow on 24 July and the Russians probably used the occasion to close bloc ranks against the Chinese. These talks may well be used to arrange concerted action in the field of economic relations with Peiping. Moves to isolate the Chinese by downgrading the level of diplomatic representation from other Communist states may also be discussed. Four of the six ambassadors representing European satellite states in Peiping were away from their posts as of 21 July and their return might be delayed indefinitely.

Moscow's determination to stand firm on the issues which separate the USSR and Communist China has been underscored by a number of moves which will certainly kindle new rage in Peiping. Among these are Khrushchev's decision to visit Yugoslavia in August, announced on 19 July, and the agreement to provide the Yugoslavs with technical assistance which was publicized the next day. Progress on a nuclear test ban and indications that Moscow

is disposed to go ahead with negotiations on other important East-West problems are even more obnoxious to the Chinese.

Peiping struck out angrily at the test-ban talks on 19 July in a major editorial denouncing US attempts to perpetrate a "nuclear fraud" designed expressly to prevent China from getting atomic weapons. After noting that even before the talks began the Soviet Union had expressed willingness to agree with the US, the editorial declared the hope, without conviction, that the Russians would not fall into the American trap.

Peiping is clearly preparing a series of new polemical blasts at Moscow. A statement by a central committee spokesman on 19 July urged "revolutionary comrades throughout the world" to study and compare the Russian and Chinese positions so that doctrinal purity might be achieved through criticism of Moscow's errors. The Chinese Communist press is printing roundups of attacks on the Chinese party by Russian-oriented parties elsewhere in the world and the Chinese have promised to answer them "when necessary."

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SOVIET ECONOMIC PICTURE

Percentage Increase

	1961 mid-year over 1960 mid-year	1962 mid-year over 1961 mid-year	1963 mid-year over 1962 mid-year	1963 PLAN (annual)
GROSS INDUSTRIAL OUTPUT	8.4	10	8.5	8.0
INDUSTRIAL PRODUCTIVITY	3.5	6	6	5.6
CHEMICAL INDUSTRY	14	17	17	17.0
PIG IRON	9.1	8	6	6.7
CRUDE STEEL	8.7	8	5	5.0
ELECTRIC POWER	10.5	13	13	11.0
GAS	28.0	26	22	17.0
PETROLEUM	12.7	12	11	10.0
CEMENT	12.0	13	10	10.7
FERTILIZER	11.7	9	13	16.2
TRACTORS	10.9	3	17	13.0
REFRIGERATORS	27.3	23	11	8.0
WASHING MACHINES	28.7	43	28	24.0
COTTON FABRICS	0	2	2	2.0
MEAT (STATE-SLAUGHTERED)	-7.1	8	19	10.0
HOUSING (STATE)	-11.8	26	-5	12.2

(based on official Soviet data)

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SOVIET MID-YEAR ECONOMIC RESULTS

Soviet industrial production continues to expand at about the same rate as in recent years with problems still hampering growth. The mid-year plan fulfillment report issued by the USSR Central Statistical Bureau on 19 July claims an 8.5-percent increase in production over a year ago--a figure in line with the somewhat lower rates of growth since 1960.

Most heavy industrial commodities continued their trends of the past few years. However, crude steel and pig iron have been cut back as anticipated in the 1963 plan issued last December and as already evident in the economic report for the first quarter of this year. The chemical industry and industrial support for agriculture continue to make strong advances. The over-all output in chemicals was up 17 percent while chemical fertilizer increased 13 percent. Tractor production was 17 percent higher, well ahead of the planned rate. This trend seems to fit--at least in direction--with the program outlined by Khrushchev last November but there are many signs that he is still far from satisfied. In April, he castigated Soviet planners for dragging their heels on reorienting industry in favor of chemical production. Soon after that the guidelines for the 1964-65 plan clearly specified top priority for chemicals, particularly in support of agriculture and the consumer goods industry. A recent Khrushchev conversation with Belgian Foreign Minister Spaak suggests that drastic

upward revisions of plans for the chemical industry are in the offing.

That problems still plague the economy and hamper growth is most evident from the performance in capital investment. State-planned investment rose only 4 percent compared with almost 10 percent a year ago. Organizational and supply difficulties, shortage of resources for the investment projects under way, and the severe winter probably all contributed to this result. In addition, construction was probably slowed by Khrushchev's demand in April that existing projects be reviewed with the object of closing down those of lower priority and accelerating others.

Within the general area of investment, the chemical industry and agriculture continued their fairly rapid expansion. The 15-percent increase in chemical investment is only a slight improvement over last year's performance, but considering the lower rate of increase in the total investment program compared to mid-1962, it is evident that the chemical industry's share of the total has increased markedly. State farm investment--about half of total agricultural investment and the only share reported on at mid-year--rose 12 percent, well below the increase last year but, one of the largest increases among those sectors for which information is given.

Once again the Soviet consumer is faced with a disappointing report on his share of the economic pie. Construction of

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The Communist World

state housing--about three fourths of all urban housing built--actually decreased somewhat from a year ago. Retail trade was below plan, although the food industry was about on target. The growth of private savings by 6 percent attests to the continuing scarcity and unacceptably poor quality of consumer goods.

As usual, the economic report gave no worthwhile clue on the direction or extent of defense expenditures; there is little question, however, that the low rate of increase in state-planned investment was in part caused by the cumulative effect of the increasingly heavy military spending of the last few years.

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SOVIET FLIGHTS TO CUBA

Soviet efforts to establish an air route to Cuba via Africa have been temporarily thwarted. After making only three weekly flights on its newly announced Moscow-Conakry-Havana route, the USSR was notified by Guinea on 12 July that such flights were to be terminated. Subsequent TU-114 flights to Havana have followed the route established last January via the North Atlantic over international waters.

Moscow probably will now seek an alternate stop-over in Africa--notably in Algeria.

the USSR has already obtained landing rights at Ouargla airfield in the northern Sahara in support of a route to Cuba and arrangements allegedly have been made with Shell Oil Company for the servicing of Soviet TU-114 aircraft.

Last May Soviet technicians surveyed three Algerian airfields and it probably was determined then that Ouargla had adequate facilities to accommodate the TU-114 once the refueling problem was solved. If the flight from

Ouargla is to be direct to Havana it will offer Aeroflot little in advantage over the existing North Atlantic route. The distance from Ouargla is only a few hundred miles shorter than the distance from Murmansk to Havana. Moscow would also have to negotiate overflight rights with Morocco.

A more favorable route to Cuba via Africa would be through Morocco, and the USSR may intend to approach Morocco regarding a transit point on a route to Havana. The Soviet-Moroccan air agreement signed in March 1962 provided for the eventual extension of Aeroflot's service from Morocco to Central and South America; however, implementation of such routes would probably require additional negotiations between the two countries. Moreover, Soviet use of Nouasseur air base near Casablanca--apparently the only airfield which can accommodate the TU-114--would be barred at least through the end of this year, when US control will be relinquished to Morocco.

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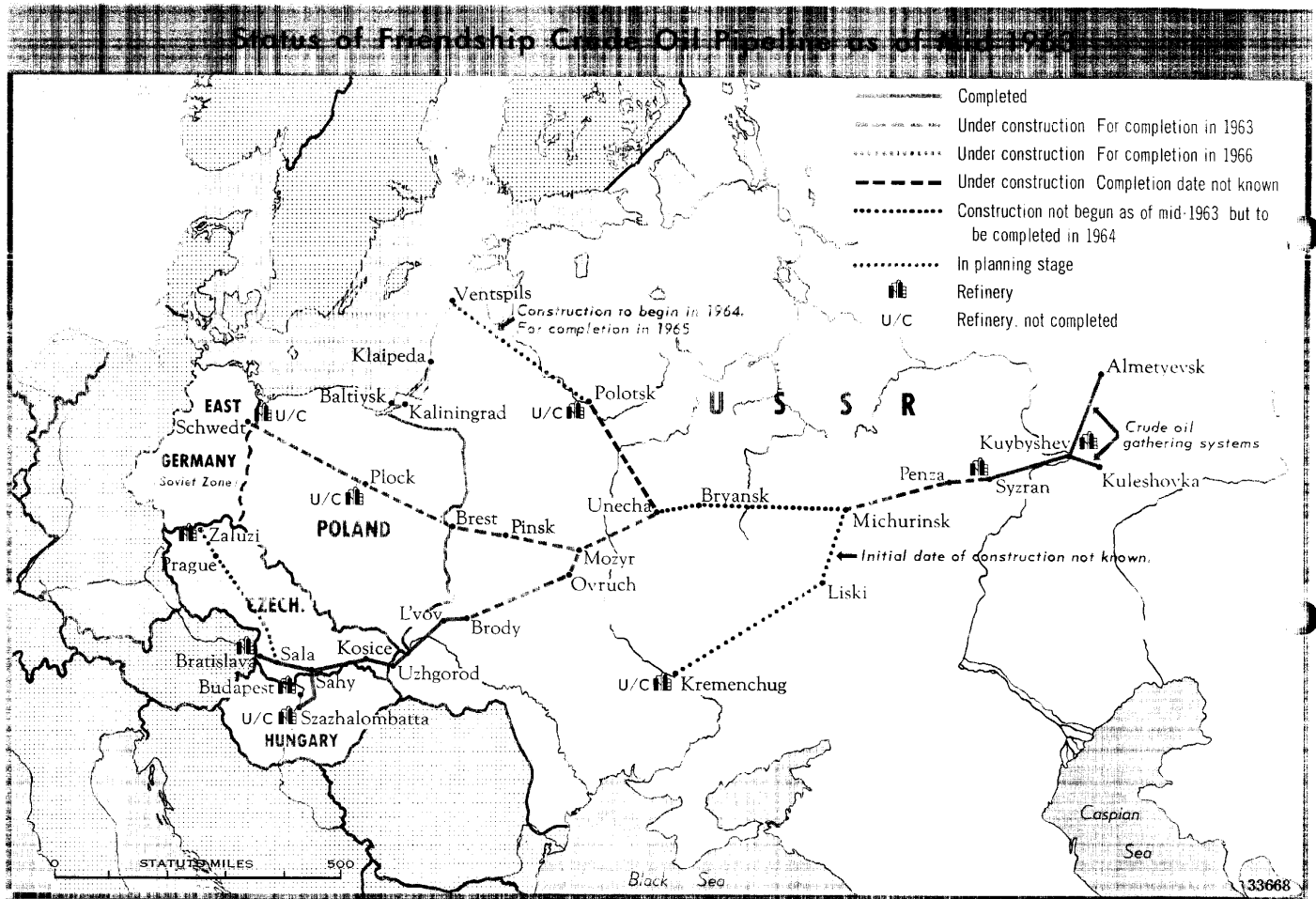
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COMPLETION OF FRIENDSHIP PIPELINE POSTPONED

The target date for completion of the much-publicized Friendship pipeline which will supply Soviet crude oil to selected East European countries apparently has been pushed back from 1963 to mid-1964. Construction is about seven months behind schedule on the 995-mile sector of 40-inch pipe between Kuybyshev and Mozyr. All other segments of the central system--which use smaller pipe--at the present rates of construction should be completed by the end of 1963.

With 40-inch pipe in short supply in the bloc, priority in its allocation has apparently been given, at least temporarily, to natural gas. No deviation from the scheduled rate of construction of the 1,185-mile Gazli-Ural 40-inch gas pipeline scheduled for completion by the end of 1963, has been reported.

The plan for 1962 called for completion of 250 miles of the Friendship line between Kuybyshev and Penza, but this sector will probably not be completed until at least August of this year. The plan for the

rest of 1963 envisages the extension of the 40-inch pipeline beyond Penza, to Michurinsk.

Rail tank cars have been used to supply crude oil to the Czechoslovakian portion of the Friendship pipeline, which also supplies the branch pipeline into Hungary. Both of these lines were completed in 1962. Until the 40-inch segment can be completed, a similar arrangement will probably be made to supply crude oil to the branch line into Poland and East Germany. This line is expected to be put into operation by the end of 1963.

Only one branch pipeline to the Baltic Sea--to the port of Ventspils--is now planned; construction is to begin in 1964 and to be completed the following year. Frequent mention has been made of Klaipeda as a second pipeline terminus on the Baltic, but shifting sands in the harbor have made continual dredging necessary to keep the port navigable. Construction of a pipeline from Polotsk to Kaliningrad, and beyond to the Baltic port of Baltysk, has been discussed as an alternative.

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The three members of the Czechoslovak leadership who are most open to party criticism for their "Stalinist" pasts: Premier Viliam Siroky, Party First Secretary and President Antonin Novotny, and Vice - Premier Jaromir Dolansky.

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SECRET**The Communist World****CZECHOSLOVAK REGIME UNABLE TO SILENCE CRITICS**

Efforts by the Czechoslovak regime to stifle agitation for liberalization and redressment of past Stalinist policies have apparently met with little success. Despite numerous speeches, warnings, and visits by top party officials to provincial party meetings, party leader Novotny still seems unable to silence critical party intellectuals and to bring the political situation--particularly in Slovakia--back under his undisputed control.

The harsh regime pronouncements in June stemmed the flood of boldly critical articles in the two party dailies--which had come dangerously close to criticism of Novotny himself. However, criticism is again creeping into at least the Slovak party daily, censured by Novotny in June, although it now refrains from singling out by name those involved in the excesses of the "Stalin era."

On the other hand the weeklies of the Czechoslovak Writers' Union, the Commission for Socialist Culture and--especially--the Slovak Writers' Union have never relented in their campaign for de-Stalinization. These journals continue to criticize--albeit in somewhat veiled terms--regime attempts to silence the

intellectuals. The Slovak Writers' Union weekly, singled out for attack by Novotny in June, has not only vigorously defended itself but has reaffirmed its commitment to views directly opposed to those expressed by Novotny on the party's past.

Although much of the present dispute centers on the fate of the Slovak "nationalists" condemned during the "Stalin era," the debate has been broadened to touch on the political--not purely cultural or ideological--issues of the nature of power and leadership responsibility in a socialist society. In this context the regime is criticized not only for trying to stand in the way of a cultural "thaw" but for trying to resist the tide of the times--the "social necessity" of liberalization.

The open opposition to Novotny's attempts to permit only limited or token de-Stalinization and the regime's continued inability to cope effectively with it suggest that the intellectuals have found important supporters in the higher echelons of the Czechoslovak and Slovak parties.

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Asia-Africa

NASIR'S RELATIONS WITH SYRIA DETERIORATE FURTHER

Nasir's public denunciation of Syria's Baathist leadership and the abortive coup attempt on 18 July have ended all present prospects for achieving the union of Egypt, Syria and Iraq planned last April.

Nasir's 22 July speech was devoted almost entirely to recounting his differences with the Syrian Baathists from the time of the formation of the 1958 Syrian-Egyptian union to the present. His aim was to shift the blame for the failure of the scheduled union of three countries to the Syrian Baathists. Iraq was hardly mentioned.

Nasir obliquely urged "conscientious" Arab nationalists in the Baathist ranks to change their leadership. He called for the formation of a new pan-Arab organization combining all Arab pro-unity elements. Already Egyptian propaganda is trying to sell this idea in competition with the Baath's area-wide appeal and organization.

Nasir made no reference to East-West problems or his relations with the Communist bloc and the free world, an exceptional omission and a measure of his present obsession with intra-Arab affairs.

Despite his denunciation of the Syrian Baathists he refrained from criticism of Iraq which, unlike Syria, sent a delegation to the Egyptian anniversary celebrations. Baghdad, in turn, continues its line of brotherhood with Egypt and Nasir as a means of assuring that blame for failure of the proposed federation falls on the Egyptians.

Although the Baath's first reaction to the speech hinted that Syria and Iraq might proceed with a union of their own, within a day both Prime Minister Bitar and the Council of the Revolutionary Command broadcast declarations which implied that further efforts would be made to reach an accommodation with Nasir regarding tripartite union. Bitar, at the same time, did not entirely brush aside the possibility of a bilateral Iraqi-Syrian union. He announced that a general conference of the party's branches from throughout the Arab world is planned soon in which future strategy will be decided.

The abortive pro-Nasir coup in Damascus on 18 July did not catch the regime entirely unawares. Indications are that the move was ill-conceived and hastily carried out. Thirty-four of its participants have been summarily executed, and Damascus radio has broadcast a list of nearly 60 others on the regime's "wanted" list. Trials in absentia are scheduled and sentences will be summarily carried out upon apprehension of the "criminals."

This policy of executions is a clear break with the past. At no time since Syrian independence in 1945 have unsuccessful conspirators been executed. Although some were sentenced to death, the sentences always have been commuted.

The reason for the outbreak of firing in Damascus again on 24 July remains unclear.

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Asia-Africa

ROBERTO'S GROUP GAINS AMONG ANGOLAN REBELS

Holden Roberto's political-ly moderate Union of Angolan Peoples (UPA) appears to be gaining ascendancy in the long, bitter rivalry between Angola's rebel groups.

Roberto's government-in-exile, with headquarters in Leopoldville, received its first major boost on 29 June when Congo's Premier Adoula officially recognized it. Adoula subsequently granted Roberto exclusive Angolan use of radio Congo for broadcasts into Angola.

Adoula's action forced the hand of the nine-nation African Liberation Committee, set up at the late May Addis Ababa summit conference, which had hoped to form a united Angolan front.

On 18 July committee representatives visiting Leopoldville announced that they would recommend to the African foreign ministers' meeting in Dakar early next month that all aid to Angolan nationalists be channeled to the UPA through the

Leopoldville government. They were convinced that the UPA had the only effective fighting force inside Angola and that the Congo's key geographic position made it impossible to ignore Adoula's desires.

The UPA's principal rival, the Popular Movement for the Liberation of Angola (MPLA), will protest this recommendation at Dakar and its supporters are likely to renew efforts to form a common front. Roberto wants to absorb the MPLA's modest military arm but has consistently resisted unity with its capable, well-educated leaders who might pose a danger to his own position.

In the long run, the strengthening of Roberto's organization may further decrease chances of a negotiated settlement between the Portuguese and the Angolan nationalists. While the Portuguese believe the UPA to be racially oriented and firmly committed to the ouster of all white influence, there is a feeling current throughout Angola that an eventual accommodation could be effected between the whites and the Portuguese-educated leaders of the MPLA, which has been more a Portuguese opposition party than an Angolan independence party.

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Asia-Africa

ROUNDUP OF SUBVERSIVES IN SOUTH AFRICA

With the arrest of 17 whites, Indians, and Africans in Johannesburg on 11 July, the South African police appear to have broken up the last large subversive organization in the country. The 17 reportedly constituted most of the top leadership of "Spear of the Nation," a Communist-influenced sabotage group which had eluded the police for two years. In mid-July the police also picked up the leaders of a small Trotskyite group [redacted]

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Earlier this year, "Poqo," a loosely organized African racist movement, had been broken up after a year of rapid growth.

"Spear of the Nation," thanks to the organizational know-how of its Communist backers, had the greatest staying power of any of these movements. By insisting on tight security, the Communists managed to develop an extensive network of local action groups under relatively close central control. Just before the 11 July raid they even managed to set up a clandestine radio transmitter in a Johannesburg suburb. The police

apparently had made no headway against "Spear of the Nation" until new legislation earlier this year gave them more extensive powers.

Along with the 17 leaders, a huge quantity of documents was picked up in the 11 July raid. Further police action against local cells is therefore likely.

As most of the Communists are now in jail or in exile they will have difficulty maintaining their influence among what subversive bodies survive inside South Africa. If the Communists fail to maintain their authority, the remnants of "Spear of the Nation" within the country will probably lose much of their cohesion and might waste their assets as "Poqo" did, in spectacular but fruitless actions. Without the Communists to moderate their racism, the movement's Africans might also turn in the direction of anti-white violence. [redacted]

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Asia-Africa

AREA NOTES

Laos: The military situation remains quiet, except for artillery fire on the Plaine des Jarres and an isolated clash between a Lao Army unit and the Pathet Lao near Attapeu in southern Laos.

Supply movements indicate considerable Pathet Lao activity east of the Plaine des Jarres in recent weeks that may be preparatory to an offensive. Both Laotian and neutralist forces in the plain, which lack reserves, believe a large-scale attack is imminent. The Communists are spreading rumors that they are preparing for such attacks if they are not satisfied with the results of negotiations with Premier Souvanna's representatives. Their heavy artillery barrage on 17-18 July was probably intended as pressure in connection with these talks, which still offer little promise.

Kong Le is still in Vientiane, and Souvanna has stated that if he must go abroad for medical treatment it is essential "from a political point of view" that he be sent to Moscow.

Iraq: The Iraqi Army's campaign against the Kurds is going poorly, even though nearly three quarters of its total combat strength of approximately 55,000 men are engaged. Operations are being hampered by poor logistical support, breakdowns of tanks, lack of spare parts, and stiffening Kurdish resistance. Reinforcements have been sent north from Baghdad and reservists have been called up to bolster the Iraqi forces.

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Europe

WEST EUROPEAN REACTION TO THE MOSCOW TALKS

European governments, except for the French, have welcomed the prospect of a limited nuclear test ban. In varying degrees, however, most countries have reservations about extending the negotiations to include NATO - Warsaw Pact nonaggression arrangements.

France's position is no surprise. High French officials have consistently held that France would not be bound by a three-power agreement that limited nuclear tests but did not include destruction of existing warheads and associated delivery systems.

West Germans, [redacted] have expressed fears that a nonaggression pact would solidify the status quo and recognize the division of Germany. Special Tasks Minister Krone commented that nonaggression declarations would come "harzardously close to a recognition of the Soviet sphere of dominion." Foreign Minister Schroeder has noted that through such declarations the Soviets are trying to anticipate the terms of a peace

treaty. Government leaders believe that Western agreement to a nonaggression pledge should be conditioned on the Soviets' moving toward self-determination for the Germans and recognizing the West's vital interests in Berlin.

Italy has cautioned against the propaganda value to the Soviet Union of a nonaggression arrangement and has held that any agreement should be compensated for by more than a test-ban treaty--for instance, the possibility of obtaining a status quo guarantee for Berlin. Nevertheless, Italy does not feel the West should take a priori a negative stand on nonaggression arrangements.

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Press comment in the United Kingdom has been cautiously optimistic. A test-ban agreement is seen as presaging a long period of negotiations on difficult East-West issues.

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Europe

COMMON MARKET AND TURKEY REACH AGREEMENT

After four years of intermittent negotiation, the EEC and Turkey have concluded and are expected to sign in September an agreement giving Turkey limited association with the Common Market. The agreement is economically important to Turkey and is in keeping with Ankara's desire to promote closer ties with Western Europe. The accord is also something of a foreign policy "success" for the EEC, but one which renews concern over the dimensions of the Common Market's preferential trading area, which now includes eighteen African states and Greece.

Under the association agreement, about 37 percent of Turkey's exports to the Community--tobacco, dried figs, dried dates, and nuts--will receive preferred entry. Tariff quotas for each of these products have been established and may be increased. Provision is also made for a possible opening of quotas on other Turkish products in the future. In addition to this guarantee of access to the EEC market, the Turkish economy will also benefit from developmental assistance from the Community which could amount to as much as \$125 million.

While this economic arrangement is of most immediate benefit to Turkey, the gradual establishment of a customs union and full participation by Turkey in the EEC is the eventual goal. An association Council--composed

of EEC and Turkish representatives--with decision-making powers will be the vehicle for accomplishing this goal.

The lengthy negotiations required to produce the agreement reflected the extreme difficulty the Common Market has had in reconciling its willingness to accommodate Turkey with its obligation to abide by the most-favored-nation principle. Since Turkey will not be economically able for many years to participate fully in the EEC, the Common Market felt it had few alternatives to entering into such a discriminatory arrangement. Besides seeking to strengthen its ties with a NATO ally, the EEC has seen fit to conclude such an association in order to combat criticism that it is not an outward looking community. Despite efforts to camouflage the agreement with association trappings, it will be difficult to justify under GATT rules for either free trade areas or customs unions.

Now that the EEC has set the precedent for preferential trade agreements, it will find it difficult to avoid an extension of similar privileges to other Middle Eastern countries, notably Iran and Israel, with which the EEC has been negotiating for some time. Both of these countries have been pressing the Common Market for preferred access for some of their major export items.

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Europe

LISBON CONCERNED OVER PORTUGUESE GUINEA

Faced with an increasingly serious challenge by rebel nationalists in Portuguese Guinea, Lisbon is in the process of reinforcing its 5,000-man military force in that colony by as many as 4,000 troops. This move underlines Portugal's determination to retain control of this small West African territory at a time when the UN Security Council debates Portuguese colonialism in Africa.

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[redacted] the rebels had secured considerable control over much of the southern sector of Portuguese Guinea. This area is adjacent to the Republic of Guinea where the principal Portuguese Guinean nationalist organization is based.

Defense Minister Gomes de Araujo--briefly referring to the province in a 17 July interview--acknowledged that rebel groups were operating in about 15 percent of Portuguese Guinea. This statement was the first official public admission that the situation is deteriorating and may have been intended to prepare the public for the possibility that the province might eventually be lost. A subsequent statement by the Defense Ministry denying that rebels controlled any area was probably an attempt to counteract adverse publicity during the Security Council debate.

In any event, Lisbon will make a determined effort to

retain the province despite its essentially indefensible nature and even at the cost of reducing manpower and material resources available for the far more important provinces of Angola and Mozambique. In fact, the reinforcements now being sent to Portuguese Guinea are being diverted from assignments to those areas. The US Embassy in Lisbon believes that these additional forces may permit the Portuguese to extend their area of effective control and make the loss of the province less imminent. The embassy is convinced, however, that the rebels cannot be conclusively defeated because the terrain facilitates guerrilla activities and because the insurgents have the advantage of sanctuaries in Senegal and the Republic of Guinea.

Lisbon also appears to be trying to counteract some of the criticism leveled against it in the UN. The regime's concern is implicit in its decision to appoint an indigenous person to an "important government post" in Portuguese Guinea soon in order to create the impression that it is increasing the province's internal autonomy. Such a move, however, does not herald a change in Lisbon's basic policy of refusing any substantive concession in the direction of self-determination as the person selected--while termed a "moderate nationalist"--is considered by Lisbon to be completely loyal to the regime.

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Western Hemisphere

THE SITUATION IN GUATEMALA

The hiatus in Guatemalan political plotting which followed the overthrow of the Ydigoras regime last March may be over. Symptomatic of this is the recent arrest of several extreme rightists who are accused of trying to line up military support for a coup against the government of Col. Enrique Peralta. It seems likely that there will be more manifestations of anti-government activity in view of indications that the initial popular approval accorded Peralta is now giving way to increasing discontent.

Most non-Communist politicians applauded the Peralta-led military coup in the belief that Ydigoras' erratic political manipulations would ensure the re-election this year of ex-President Juan Jose Arevalo. They feared that Arevalo's return to power would pave the way for eventual Communist domination of the Guatemalan Government as was the case following his 1945-1951 term in office.

The recent change in attitude of these leaders is traceable, in part, to their belief that they have been ignored by the

government. Their disenchantment has been heightened by a general feeling that the regime's maintenance of a state of siege and other repressive measures is no longer warranted. In addition, rightist elements are registering bitter resentment against the government's economic and fiscal reforms which include the introduction, for the first time, of an income tax.

The government has recently indicated that it is not altogether insensitive to the criticism now being leveled against it. A recent controversial decree denying certain civil rights has been modified. On 17 July Peralta, in a nationwide address, specifically denied rumors that his regime plans a plebiscite to perpetuate itself in power. He was careful, however, to leave no doubt that any activity threatening the stability of his government would be suppressed. In another gesture to refurbish the image of his administration, Peralta dusted off Guatemala's old claim to British Honduras and on 24 July carried out his threat to act against Great Britain's new plan for independence of the colony by breaking relations with London.

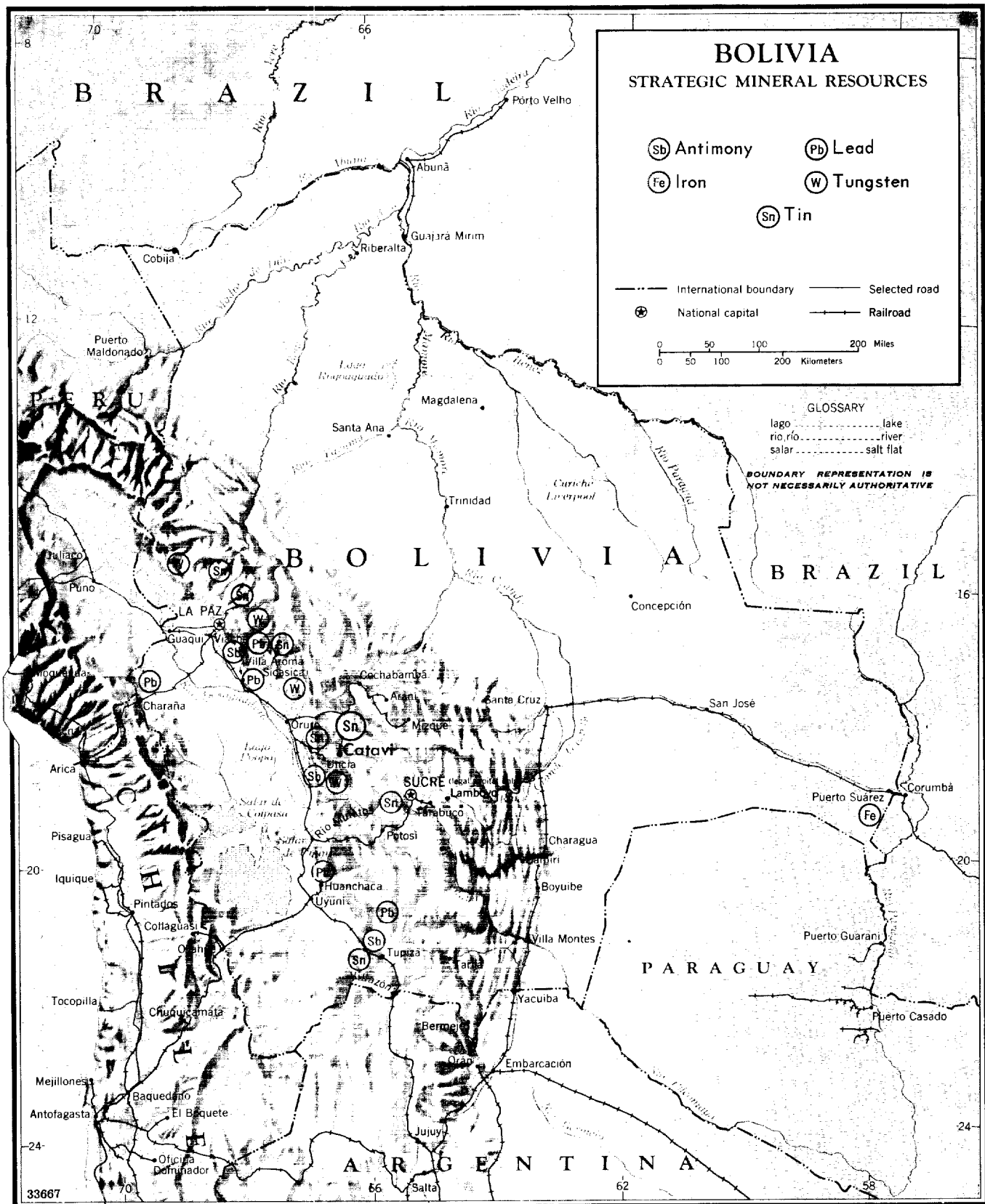
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Western Hemisphere

BOLIVIAN MINERS' STRIKE

The government's dispute with Communist-led tin miners seems headed for an early showdown which could touch off widespread violence. The 4-week strike at the Catavi tin mine, Bolivia's largest, is continuing; 24-hour strikes are being carried out at several others, and a sympathy walkout by members of the Factory Workers' Union is imminent.

The problem has its roots in President Victor Paz Estensoro's determination to turn Bolivia's chronically uneconomic tin mining operations into a paying proposition. The essential feature in the plan he is pushing to achieve this is aimed at ending featherbedding and at "reclassifying" many miners to other jobs. This proposal is anathema to the unions, and has been rejected out of hand unless the government agrees to excessive wage increases to accompany the proposed reform measure.

The argument started coming to a head on 1 July when Communist labor leaders at Catavi ordered certain specialized workers to go on strike in protest against the government's proposals. The strike was declared illegal on 8 July and the government took steps to close the mine. On 12 July, the workers agreed to return to their jobs, but only if the government paid them for the time they were on strike. President Paz Estensoro refused and the ensuing deadlock has caused the situation to drift inexorably toward a point of no return for either side.

Any violence that may result from these maneuvers would provide Paz with an excuse for sending regular army troops into the mining areas to restore order, declaring a national state of siege, and perhaps attempting a roundup of Communist leaders. Presumably with these possibilities in mind, Paz has placed the military on alert status

The prospects are that Paz, who can count on the support of the military and units of armed peasants, would be able to weather any conflict he may have with the miners.

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Western Hemisphere

ECUADOREAN DEVELOPMENTS

In the two weeks since the overthrow of President Arosemena, it has become possible tentatively to identify the locus of power within the military junta as well as the general direction its policies are likely to take.

Opinion is widespread that the strong man of the four-man junta is Colonel Marcos Gandara, who usually acts as its spokesman. Gandara seems to be at once the best informed member of the group and the one with the clearest ideas as to what needs to be done. He is on record as saying that although the armed forces have no ambitions to hold the country's political reins, the "revolution" will fail if they do not ensure the effective implementation of fundamental reforms.

The junta issued a statement on 18 July declaring that it seeks to promote the country's economic development in a way that will benefit the people through increased production and a more equitable distribution of the national wealth. What the junta seems to have in mind is an over-all development plan which will include reforms in land holding, fiscal policies and administration.

The junta envisions the convening in October of a constituent assembly to consider a new constitution now being drafted by the Supreme Court. It hopes to hold general elections sometime in 1964, but is making no commitment until it has a better picture of how its program is progressing.

In the meantime, the regime has cracked down hard on the Communists. It has acted to remove Communists from government jobs, and on 18 July outlawed the party itself. These actions have encouraged non-Communist labor leaders to move against Communists in positions of influence.

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Their next step might be the establishment of a new national labor organization composed of the free trade union movement and possibly the Catholic unions.

In foreign affairs, the foreign minister has declared that Ecuador will follow a policy of solidarity with other American nations in the attempt to control Castro-Communist subversion in the hemisphere. He also indicated support for the entry of Canada, Jamaica, and Trinidad and Tobago into the Organization of American States. The regime, however, has been slow in gaining foreign recognition. So far, it has been recognized by only four countries and the Vatican.

Junta Chairman Castro Jijon has agreed to instruct the navy to stop harassing US fishing craft. Thus some sort of a modus vivendi on the basis of a twelve-mile limit now seems to be in prospect.

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Western Hemisphere

AREA NOTES

Dominican Republic: The previously widespread rumors of an impending military coup have been put to rest for the time being by public denials from principal military leaders and by surprisingly strong expressions of support for constitutional government from all political sectors, including the extreme left. However, a more serious confrontation over President Juan Bosch's policy toward domestic Communists may be in the offing. For his part, Bosch, in a speech on 16 July, put Dominicans on notice that he would resign rather than bow to what he considered undue pressure. Foreign Minister Andres Freitas has expressed fear that the President might already be on the point of returning to exile as a self-styled political martyr.

Haiti: Last week's abortive attack on a military outpost by remnants of the late Clement Barbot's followers appears to have been a last-ditch effort. It probably marks the end, at least for the present, of any organized internal opposition to the regime. Reports of an "invasion" by 50 exiles at Arcahaie, about 25 miles northwest of Port-au-Prince, were not confirmed and are now considered doubtful.

Argentina: Political maneuvering is now centered on the electoral college which is scheduled to elect a president and vice president on 31 July. There

are indications that Dr. Arturo Illia and his running mate on the People's Radical Civic Union ticket (UCRP), Carlos Perette, probably have lined up enough votes to be nominated. Extensive horse-trading is also going on among the numerous political parties in connection with the election of 46 national senators by the provincial legislatures on 29 July, and of 23 governors by provincial electoral colleges late next month. In the selection of senators, the UCRP, which won the recent general elections by only a small plurality, is expected to fall short of a majority.

Peru: President-elect Belaunde Terry is to be inaugurated on 28 July after a year of military rule. However, his apparent hesitancy in making decisions reportedly is becoming a matter of concern among Peruvian officials. Belaunde has been unusually slow in naming his cabinet ministers and apparently has a penchant for prolonged consultations before making up his mind on what have been described as even "trivial" matters. It may be, on the other hand, that he is moving with extraordinary caution because, as the head of a minority government, he will want to avoid antagonizing either the opposition political leaders or the military, which still hovers in the background.

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